

## **Written Testimony on the Native American Small Business Development Act Submitted by the Lakota Fund, April 2002**

### Organizational Background

The Lakota Fund is a sixteen year-old community development financial institution that serves the Pine Ridge Indian Reservation, home to the Oglala Lakota (Sioux) Nation in southwestern South Dakota. Pine Ridge is one of the poorest regions in the United States based on per capita income and unemployment rates.

The mission of the Lakota Fund is to promote economic growth and sustainability on Pine Ridge in a culturally sensitive manner. The Lakota Fund works to develop a private sector that will provide jobs, offer products and services close to home, and keep money on the reservation. To date, the Lakota Fund has accomplished its mission primarily through the provision of micro and small business credit to Lakota entrepreneurs. In addition, the organization has a well-deserved reputation as competent business trainer and technical assistant.

During its history, the Lakota Fund has provided approximately 500 loans valued at nearly \$2,000,000; provided training to more than 250 entrepreneurs; and provided marketing services to more than 1500 arts and crafts micro-entrepreneurs. Moreover, the Fund has developed 30 units of low-income housing, created a nationally known crafts gallery (Spirit Horse Gallery), and developed a Tribal Business Information Center (in partnership with the SBA).

The Lakota Fund is widely regarded as one of the most successful private sector initiatives on Pine Ridge and among the most successful grass roots credit initiatives on any Indian Reservation in the United States. It is the second of only two reservation-based loan funds in the US to receive CDFI certification from the Department of the Treasury.

Over the last sixteen years, the Lakota Fund's accomplishments have made a fundamental impact on reservation residents. Over 100 hours of training per month is provided by Lakota Fund staff. Over 50 people per year prepare business plans through the Fund's programs. The Lakota Fund has also become a critical community asset. It houses a business resource library and has built an office building and new housing on the reservation. Most importantly, the intellectual capital of the organization is accessible to the community in a culturally-relevant way because the Lakota Fund is governed and staffed by community members.

### The Lakota Fund's Tribal Business Information Center (TBIC): An Overview

The Lakota Fund began operating our Tribal Business Information Center (TBIC) in 1996. Through the TBIC, we are able to provide vitally-needed information, services, and assistance, including:

- Business start-up assistance,
- Loan packaging assistance,
- Business plan development assistance,
- Small-business training,
- Workshops for new and existing business owners, and
- Business counseling and technical assistance.

Workshop topics include:

- Bookkeeping,
- Recordkeeping,
- Marketing and public relations,
- Credit counseling,
- Business taxes, and
- Small business and technology.

The Lakota Fund firmly believes that the TBIC has a direct impact on entrepreneurial development on the Pine Ridge Reservation. Each month, an average of 25 people utilize the center and its resources. The Center is generating new business and jobs on a monthly basis, a remarkable fact in the context of the reservation economy.

#### Analysis of Proposed “Native American Small Business Development Act”: Agreement

The Lakota Fund strongly believes that federal support for Tribal Business Centers is critical, and agrees with many of the provisions outlined in the draft “Native American Small Business Development Act.” For example, the Lakota Fund agrees with the following provisions and language in the Act:

- (1) In-kind assistance described in Section 2(c)(1)(B), including personal computers, graphic workstations, CD-ROM technology, distance learning training courses, computer software, and reference materials.

This in-kind assistance would greatly benefit the Lakota Fund and our ability to serve entrepreneurs on the reservation by making possible otherwise unavailable hardware resources for our clients.

- (2) The use of funds described in Section 2(c)(1)(C), which states that financial and resource assistance provided . . . shall be used to overcome obstacles impeding the creation, development, and expansion of small business concerns, in accordance with this section, by – (i) *reservation-based American Indians* . . .

The Lakota Fund believes that providing assistance and services *on* the reservation, to tribal members living *on* the reservation, is imperative. Simply put, if the Lakota Fund does not serve or assist tribal members on the reservation, the Lakota people will not have access to assistance. They will not access business training, technical assistance, computer resources, or reference materials. Without this support, potential business developers and entrepreneurs will not develop business, provide employment opportunities, or generate revenues for the benefit of the private sector on the reservation.

- (3) The emphasis on *culturally tailored* business development assistance outlined in Section 2(c)(2)(A), and Section 2(d)(2)(B).

As noted above, the mission of the Lakota Fund is to promote economic growth and sustainability on Pine Ridge in a culturally sensitive manner. Since our creation, the Lakota Fund has focused on the importance of business development training, and worked to design and deliver culturally-appropriate training materials. In fact, the Lakota Fund has developed our own educational training materials for business training, entitled, “*Tokatakiya*

*Iciskampo*/Prepare for the Future: Nation Building for the Lakota by the Lakota through Economic Development” (A Seven Week Small Business/ Entrepreneurship Curriculum).

- (4) The emphasis on the proposed location of Native American business center sites, outlined in Section 2(c)(5)(B)(iii)(V), which states that priority will be given based on the proximity of the center to the population being served and to achieve a broad geographic dispersion of the centers.

The Lakota Fund believes that the location of Native American business center sites is critical: in order to provide effective assistance, centers must be located on the reservation. Location was a central issue in the establishment of the Lakota Fund, which is located in Kyle, both the geographic center and the population center of the Pine Ridge Reservation. Over our sixteen-year history, the Lakota Fund has witnessed numerous attempts to provide services and assistance to tribal members from off-site centers, most located in Rapid City. The effectiveness of these attempts simply cannot compare to reservation-based assistance: for the vast majority of Pine Ridge residents, off-site centers are too far, too culturally unresponsive, and too unfamiliar with reservation social patterns to be of consequence to the Pine Ridge economy.

- (5) The emphasis on adequate staffing outlined in Section 2(d)(2)(A)(ii), which states that applicants must employ a full-time executive director or program manager to manage the facility.

The Lakota Fund agrees that adequate staffing and capacity is necessary to provide effective services. The Lakota Fund currently has one staffperson working in the Tribal Business Information Center (TBIC) on a part-time basis, but having the resources to employ a full-time program manager would enhance our programming and assistance.

#### Analysis of Proposed “Native American Small Business Development Act”: Concerns

While the Lakota Fund agrees with many of the provisions in the proposed act, we must note our concern with certain language relating to eligible entities and proposed location of the centers. For example, the Lakota Fund is concerned by the following:

In Section 2(d)(1)(B), eligible organizations are described as (i) any private nonprofit organization that has tribal government members, or their designees, comprising a majority of its board of directors; or (ii) any small business development center.

Regarding provision (i), the Lakota Fund is concerned with the requirement eligible organizations be directed by tribal government. While the Lakota Fund is tribally-chartered, we are a private, independent 501(c)(3) organization. While we coordinate efforts with tribal government, maintaining our independence is also important. Rather than *tribal government members* comprising a majority of the board of directors, to ensure local governance and input, the Lakota Fund would recommend the requirement that *tribal members* comprise the majority of the board.

Regarding provision (ii), the Lakota Fund strongly believes that “any small business center,” does not ensure access by Native American business owners on the Pine Ridge Reservation - - both potential and actual -- to effective private sector training. It is our strong belief that Native American business development centers must be managed by Native American organizations working *on* the reservations whose clients they serve.

The Lakota Fund has the same concern regarding Section 2(d)(2)(A)(i), which states that an applicant may be a private nonprofit organization, a Native American business development center, or small business development center.